Victor Khanye Local Municipality
Annual Financial Statements
for the year ended 30 June 2013

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Municipal services
Mayoral committee	
Executive Mayor	Makhabane EN
Speaker	Segone RK
Councillors	Ward 1 - Nhlapo MM
	Ward 2 - Yeko BD
	Ward 3 - Mlambo LN
	Ward 4 - Buda KV
	Ward 5 - Ngoma HM (Council Whip)
	Ward 6 - Shabangu ET
	Ward 7 - Zulu ZJM
	Ward 8 - Bath DJ
	Ward 9 - Nkabinde SS
	Proportional - Mahlangu SH
	Proportional - Makhabane EN
	Proportional - Maluleka TM
	Proportional - Rapatsa MJ (Resigned 31 May 2013)
	Proportional - Rautenbach M
	Proportional - Rolisizu BS
	Proportional - Shabalala B
Grading of local authority	Grade 3
Capacity of local authority	Medium
Municipal demarcation code	MP311
Accounting Officer	Maredi RM
Chief Finance Officer (CFO)	Botes H (Acting)
Business address	Municipal Building c/o Samuel and Van Der Walt Street Delmas 2210
Postal address	PO Box 6 Delmas 2210
Bankers	The Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa
Attorneys	Mohube Setsoalo & Mabusela Inc.

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The reports and statements set out below comprise the annual financial statements presented to the provincial council:

Abbreviations

GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 77, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

Accounting Officer
Maredi RM

Delmas

30 August 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	Restated 2012
Assets			
Current Assets			
Cash and cash equivalents	3	31,882,337	25,637,509
Consumer debtors	4	145,767,215	12,409,901
Other receivables	5	2,430,709	5,915,001
Inventories	6	1,313,344	1,473,314
Other financial assets	11	92,920	72,215
		181,486,525	**45,507,940**
Non-Current Assets			
Investment property	7	12,559,721	13,603,845
Property, plant and equipment	8	692,433,163	706,018,978
Intangible assets	10	5,603,350	5,603,350
Heritage assets	9	945,362	-
		711,541,596	**725,226,173**
Non-current assets held for sale and assets of disposal groups	12	1,495,605	-
Total Assets		**894,523,726**	**770,734,113**
Liabilities			
Current Liabilities			
Other financial liabilities	13	3,248,292	5,948,976
Finance lease obligation	14	34,598	194,835
Trade payables	15	33,561,728	27,654,373
VAT payable	16	16,000,849	11,368,577
Unspent conditional grants and receipts	18	670,960	612,108
		53,516,427	**45,778,869**
Non-Current Liabilities			
Other financial liabilities	13	8,018,777	5,993,150
Finance lease obligation	14	-	34,598
Retirement benefit obligation	17	30,347,000	30,656,000
Provisions	19	8,273,927	2,712,949
Consumer deposits	20	1,445,707	1,427,205
		48,085,411	**40,823,902**
Total Liabilities		**101,601,838**	**86,602,771**
Net Assets		**792,921,888**	**684,131,342**
Accumulated surplus		792,921,888	684,131,342

Detailed Income statement

Figures in Rand	Note(s)	2013	Restated 2012
Revenue			
Service charges	22	123,403,080	126,271,934
Rental of facilities and equipment	23	2,230,752	3,207,231
Interest received (trading)		18,602,306	16,738,684
Income from agency services		8,421,198	6,169,248
Licences and permits		2,908,107	1,623,735
Other income		4,257,005	7,106,024
Interest received - investment		1,298,173	849,096
Property rates	23	40,112,921	28,929,362
Government grants & subsidies	24	87,505,895	178,614,588
Fines		262,972	337,419
Total revenue		**289,002,409**	**369,847,321**
Expenditure			
Personnel	27	(82,885,641)	(64,170,309)
Remuneration of councillors	28	(5,438,254)	(4,829,464)
Grants and subsidies paid		(11,036,678)	(9,611,777)
Depreciation and amortisation	31	(43,712,761)	(37,006,556)
Finance costs	32	(909,500)	(711,264)
Debt impairment	29	90,859,236	(61,542,797)
Collection costs		(22,973)	(23,931)
Repairs and maintenance		(14,419,283)	(15,145,572)
Bulk purchases	35	(65,951,949)	(59,151,478)
Contracted services	34	(12,800,575)	(9,733,625)
Contributions / Donations to the Public		(2,468,995)	(3,202,396)
Loss on disposal of assets		(8,815)	(6,458,224)
General Expenses	26	(31,436,381)	(23,916,360)
Total expenditure		**(180,232,569)**	**(295,503,753)**
Operating surplus		**108,769,840**	**74,343,568**
Fair value adjustments	46	20,705	(2,550,098)
Surplus for the year		**108,790,545**	**71,793,470**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	604,784,086	604,784,086
Adjustments		
Correction of errors (note 37)	7,553,786	7,553,786
Balance at 01 July 2011 as restated	**612,337,872**	**612,337,872**
Changes in net assets		
Surplus for the year	71,793,470	71,793,470
Total changes	71,793,470	71,793,470
Balance at 01 July 2012	**684,131,343**	**684,131,343**
Changes in net assets		
Surplus for the year	108,790,545	108,790,545
Total changes	108,790,545	108,790,545
Balance at 30 June 2013	**792,921,888**	**792,921,888**

Cash Flow Statement

Figures in Rand	Note(s)	2013	Restated 2012
Cash flows from operating activities			
Receipts			
Services		143,542,076	131,161,604
Grants		87,564,748	178,944,833
Interest income		1,298,173	849,096
Other receipts		18,890,768	16,620,429
		251,295,765	327,575,962
Payments			
Employee costs		(82,932,556)	(62,781,778)
Suppliers		(128,861,035)	(280,842,460)
Finance costs		(909,500)	(711,264)
Other cash item		-	13,639,357
		(212,703,091)	(330,696,145)
Net cash flows from operating activities		**38,592,674**	**(3,120,183)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(31,532,603)	(5,249,873)
Proceeds from sale of property, plant and equipment	8	36,147	19,332,519
Movement in other financial assets		(20,705)	(397,078)
Purchase of investments		20,705	-
Net cash flows from investing activities		**(31,496,456)**	**13,685,568**
Cash flows from financing activities			
Repayment of other financial liabilities		(675,057)	2,681,392
Movement in consumer deposits		18,502	52,359
Finance lease payments		(194,835)	229,433
Net cash flows from financing activities		**(851,390)**	**2,963,184**
Net increase / (decrease) in cash and cash equivalents		**6,244,828**	**13,528,569**
Cash and cash equivalents at the beginning of the year		25,637,509	12,108,940
Cash and cash equivalents at the end of the year	3	**31,882,337**	**25,637,509**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2013											
Financial performance											
Property rates	18,216,784	5,984,191	24,200,975	-		24,200,975	40,112,921		15,911,946	166 %	220 %
Service charges	153,619,374	-	153,619,374	-		153,619,374	123,403,080		(30,216,294)	80 %	80 %
Investment revenue	950,000	-	950,000	-		950,000	1,298,173		348,173	137 %	137 %
Transfers recognised - operational	50,861,000	-	50,861,000	-		50,861,000	50,861,000		-	100 %	100 %
Other own revenue	340,255,700	5,000	340,260,700	-		340,260,700	36,703,045		(303,557,655)	11 %	11 %
Total revenue (excluding capital transfers and contributions)	**563,902,858**	**5,989,191**	**569,892,049**	**-**		**569,892,049**	**252,378,219**		**(317,513,830)**	**44 %**	**45 %**
Employee costs	(71,657,806)	(6,340,199)	(77,998,005)	-	-	(77,998,005)	(82,885,641)	-	(4,887,636)	106 %	116 %
Remuneration of councillors	(5,931,449)	-	(5,931,449)	-	-	(5,931,449)	(5,438,254)	-	493,195	92 %	92 %
Debt impairment	(37,939,823)	-	(37,939,823)			(37,939,823)	90,859,236	-	128,799,059	(239)%	(239)%
Depreciation and asset impairment	(5,424,284)	-	(5,424,284)			(5,424,284)	(43,712,761)	-	(38,288,477)	806 %	806 %
Finance charges	(5,058,200)	211,370	(4,846,830)	-	-	(4,846,830)	(909,500)	-	3,937,330	19 %	18 %
Materials and bulk purchases	(72,923,367)	-	(72,923,367)	-	-	(72,923,367)	(65,951,949)	-	6,971,418	90 %	90 %
Transfers and grants	-	-	-	-	-	-	(2,468,995)	-	(2,468,995)	DIV/0 %	DIV/0 %
Other expenditure	(61,167,181)	139,638	(61,027,543)	-	-	(61,027,543)	(69,724,705)	-	(8,697,162)	114 %	114 %
Total expenditure	**(260,102,110)**	**(5,989,191)**	**(266,091,301)**	**-**	**-**	**(266,091,301)**	**(180,232,569)**	**-**	**85,858,732**	**68 %**	**69 %**
Surplus / (Deficit)	**303,800,748**	**-**	**303,800,748**	**-**		**303,800,748**	**72,145,650**		**(231,655,098)**	**24 %**	**24 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	3,438,000	-	3,438,000	-		3,438,000	36,644,895		33,206,895	1,066 %	1,066 %
Surplus / (Deficit) after capital transfers and contributions	**307,238,748**	**-**	**307,238,748**	**-**		**307,238,748**	**108,790,545**		**(198,448,203)**	**35 %**	**35 %**
Surplus / (Deficit) for the year	**307,238,748**	**-**	**307,238,748**	**-**		**307,238,748**	**108,790,545**		**(198,448,203)**	**35 %**	**35 %**

Capital expenditure and funds sources

Cash flows

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Net cash from (used) operating	-	-	-	-		-	38,592,674		38,592,674	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(31,496,456)		(31,496,456)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(851,390)		(851,390)	DIV/0 %	DIV/0 %
Net increase / (decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**6,244,828**		**6,244,828**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	25,637,509		25,637,509	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**31,882,337**		**(31,882,337)**	**DIV/0 %**	**DIV/0 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2012				
Financial performance				
Property rates				28,929,362
Service charges				126,271,934
Investment revenue				849,096
Transfers recognised - operational				40,827,000
Other own revenue				35,198,885
Total revenue (excluding capital transfers and contributions)				**232,076,277**
Employee costs	-	-	-	(64,170,309)
Remuneration of councillors	-	-	-	(4,829,464)
Debt impairment	-	-	-	(61,542,797)
Depreciation and asset impairment	-	-	-	(37,006,556)
Finance charges	-	-	-	(711,264)
Materials and bulk purchases	-	-	-	(59,151,478)
Transfers and grants	-	-	-	(3,202,396)
Other expenditure	-	-	-	(67,456,131)
Total expenditure	**-**	**-**	**-**	**(298,070,395)**
Transfers recognised - capital				137,787,588
Surplus / (Deficit) after capital transfers and contributions				**71,793,470**
Surplus / (Deficit) for the year				**71,793,470**

Capital expenditure and funds sources

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				(3,120,183)
Net cash from (used) investing				13,685,568
Net cash from (used) financing				2,963,184
Net increase / (decrease) in cash and cash equivalents				**13,528,569**
Cash and cash equivalents at the beginning of the year				604,784,086
Cash and cash equivalents at year end				**618,312,655**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand, together with economic factors such as [list economic factors such as interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17 - Employee benefit obligations.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.2 Investment property (continued)

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the investment property. Such difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land and Buildings - Operational Buildings	30 years
Motor vehicles	5 - 22 years
Office equipment	3 - 29 years
Computer Equipment	3 - 5 years

1.3 Property, plant and equipment (continued)

Infrastructure - Electricity	
• Roads, pavements, bridges and storm water	2 - 50 years
• Street names, signs and parking meters	5 years
• Water reservoirs and reticulation	5 - 100 years
• Electricity reticulation	5 - 60 years
• Sewerage purification and reticulation	5 - 100 years
• Housing	30 years
• Refuse sites	1 - 60 years
• Street lightning	45 years
Community Assets - Sports Facilities	
• Parks and gardens	30 - 50 years
• Sport fields	15 - 100 years
• Community halls	7 - 100 years
• Libraries	5 - 80 years
• Recreation facilities	20 - 30 years
• Clinics	5 - 80 years
• Fire services	30
• Cemeteries	30
Specialised vehicles	10 - 19 years
Plant and equipment	3 -58 years
Security measures	3 - 10 years

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, excluding rights granted by statue, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.4 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Servitudes	Indefinite

Intangible assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

1.5 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial assets	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Trade receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost
Trade payables	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.5 Financial instruments (continued)

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

1.6 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.8 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.9 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.10 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered services to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

1.11 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.11 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.12 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9 and 1.10.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another party without directly giving approximately equal value in exchange, or gives value to another party without directly receiving approximately equal value in exchange.

1.14 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the municipality.

Rates, including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

1.14 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.20 Budget information

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Accounting Policies

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management is those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.22 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.23 Grants in aid

- The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
  - receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
  - expect to be repaid in future; or
  - expect a financial return, as would be expected from an investment.

  These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.24 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

1.25 Value Added Tax (VAT)

The municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value Added Tax Act (Act No. 89 of 1991).

Figures in Rand	2013	2012

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when the municipality receives value from another party without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, the municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard requires judgement in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in the notes to the financial statements.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, the municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the municipality from determining the fair value.

GRAP 103 states that a heritage asset should not be depreciated, but the municipality should assess at each reporting date whether there is an indication that it may be impaired.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The municipality should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the municipality applies the applicable Standard of GRAP to that asset up to the date of change. The municipality treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 21: Impairment of Non-cash-generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach;
- Restoration cost approach; or
- Service units approach.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

2. New standards and interpretations (continued)

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that result in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Concessionary loans are loans either received by or granted to another entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. The municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and

2. New standards and interpretations (continued)

- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, the municipality can however designate such an instrument to be measured at fair value.

The municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once the municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

The municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, the municipality has transferred control of the asset to another entity.

The municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

The municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for the municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that the municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 7 (as revised 2012): Investments in Associates

Amendments were made to definitions. A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates

All amendments are to be applied prospectively.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

GRAP 27 (as revised 2012): Agriculture (replaces GRAP 101)

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 31 (as revised 2012): Intangible Assets (replaces GRAP 102)

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

Changes made comprise three areas that can be summarised as follows:

- consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31;
- the deletion of guidance and examples from interpretations issued by the International Accounting Standards Board (IASB) previously included in GRAP 102; and
- changes to ensure consistency between the Standards of GRAP, or to clarify existing principles.

All amendments are to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

2. New standards and interpretations (continued)

The impact of the standard is not material.

IGRAP 16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has early adopted the interpretation for the first time in the 2013 annual financial statements.

The impact of the interpretation is not material.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2013 or later periods:

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- post-employment benefits: defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between entities under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomed effective.

The impact of the standard is currently being assessed.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, no acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

GRAP 20: Related Parties

The objective of this standard is to ensure that the reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4,975	4,975
Bank balances	31,877,362	25,632,534
	31,882,337	**25,637,509**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
Standard Bank - Cheque - 420526994	34,834,970	25,433,337	-	30,521,842	25,401,430	-
ABSA Bank - 850000026	1,335,636	194,414	15,839,111	1,355,520	231,104	12,755,326
ABSA Bank - 85000034	5	-	7,055,799	-	-	-
ABSA Bank - 4059973155	11,454	-	(7,805,095)	-	-	-
ABSA Bank 4075281552	8,425	-	137,002	-	-	-
Total	**36,190,490**	**25,627,751**	**15,226,817**	**31,877,362**	**25,632,534**	**12,755,326**

4. Consumer debtors

Gross balances		
Rates	45,515,950	37,979,102
Electricity	13,579,734	13,701,509
Water	93,261,080	81,478,716
Sewerage	13,422,326	12,400,179
Refuse	9,797,818	8,889,841
Sundry Debtors	46,975,491	3,790,612
Rental of facilities and interest (No VAT)	3,568,322	40,169,329
Flat rate (Indigents)	60,735,439	49,002,847
	286,856,160	**247,412,135**

Figures in Rand	2013	2012

4. Consumer debtors (continued)

Less: Allowance for impairment		
Rates	(22,708,031)	(36,074,115)
Electricity	(6,774,966)	(13,014,257)
Water	(46,528,206)	(77,391,840)
Sewerage	(6,696,435)	(11,778,201)
Refuse	(4,888,158)	(8,443,937)
Sundry Debtors	(21,411,827)	(3,600,479)
Rental of facilities and interest (No VAT)	(1,780,246)	(38,154,483)
Flat Rate (Indigents)	(30,301,076)	(46,544,922)
	(141,088,945)	**(235,002,234)**

Net balance		
Rates	22,807,919	1,904,987
Electricity	6,804,768	687,252
Water	46,732,874	4,086,876
Sewerage	6,725,891	621,978
Refuse	4,909,660	445,904
Sundry Debtors	25,563,664	190,133
Rental of facilities and interest (No VAT)	1,788,076	2,014,846
Sundry receivables and loans	30,434,363	2,457,925
	145,767,215	**12,409,901**

Included in above is receivables from exchange transactions		
Electricity	6,804,768	687,252
Water	46,732,874	4,086,876
Sewerage	6,725,891	621,978
Refuse	4,909,660	445,904
Business service levies	25,563,664	190,133
Regional services levies	1,788,076	2,014,846
Housing rental	30,434,363	2,457,925
	122,959,296	**10,504,914**

Included in above is receivables from non-exchange transactions (taxes and tansfers)		
Rates	22,807,919	1,904,987
	22,807,919	**1,904,987**

Net balance	**145,767,215**	**12,409,901**

Rates		
Current (0 -30 days)	2,762,495	1,904,987
31 - 60 days	1,649,507	-
61 - 90 days	1,353,206	-
91 - 120 days	17,042,711	-
	22,807,919	**1,904,987**

Electricity		
Current (0 -30 days)	6,327,709	687,252
31 - 60 days	477,059	-
	6,804,768	**687,252**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

4. Consumer debtors (continued)

Water		
Current (0 -30 days)	2,766,156	4,086,876
31 - 60 days	2,255,933	-
61 - 90 days	1,828,507	-
> 90 days	39,882,278	-
	46,732,874	**4,086,876**
Sewerage		
Current (0 -30 days)	482,324	509,387
31 - 60 days	246,799	112,591
61 - 90 days	340,191	-
> 90 days	5,656,577	-
	6,725,891	**621,978**
Refuse		
Current (0 -30 days)	474,434	371,817
31 - 60 days	205,168	74,087
61 - 90 days	171,831	-
> 90 days	4,058,227	-
	4,909,660	**445,904**
Sundry Debtors		
Current (0 -30 days)	417,463	123,472
31 - 60 days	364,786	31,545
61 - 90 days	347,725	24,899
> 90 days	24,433,690	10,217
	25,563,664	**190,133**
Rental of facilities and interest (No VAT)		
Current (0 -30 days)	22,778	417,942
31 - 60 days	60,087	332,625
61 - 90 days	21,197	339,998
> 90 days	1,684,014	924,281
	1,788,076	**2,014,846**
Flat rate (Indigents)		
Current (0 -30 days)	1,207,737	1,076,748
31 - 60 days	1,182,132	1,054,584
61 - 90 days	1,313,828	326,593
> 90 days	26,730,666	-
	30,434,363	**2,457,925**

Figures in Rand	2013	2012

4. Consumer debtors (continued)

Summary of receivables by customer classification

Consumers		
Current (0 -30 days)	7,424,371	6,161,057
31 - 60 days	5,224,835	5,423,066
61 - 90 days	4,930,560	4,183,831
> 90 days	235,081,449	201,299,168
	252,661,215	217,067,122
Less: Allowance for impairment	(127,415,081)	(212,474,974)
	125,246,134	**4,592,148**

Industrial/ commercial		
Current (0 -30 days)	7,035,665	7,197,152
31 - 60 days	1,964,852	1,211,003
61 - 90 days	925,176	588,471
> 90 days	24,165,559	21,342,332
	34,091,252	30,338,958
Less: Allowance for impairment	(13,668,699)	(22,523,173)
	20,422,553	**7,815,785**

National and provincial government		
Current (0 -30 days)	1,061	342
31 - 60 days	839	1,305
61 - 90 days	520	301
> 90 days	15,070	4,135
	17,490	6,083
Less: Allowance for impairment	(8,165)	(4,085)
	9,325	**1,998**

Total		
Current (0 -30 days)	14,461,097	15,655,104
31 - 60 days	7,190,525	7,204,993
61 - 90 days	5,856,255	5,024,975
> 90 days	259,348,282	219,527,063
	286,856,159	247,412,135
Less: Allowance for impairment	(141,088,944)	(235,002,234)
	145,767,215	**12,409,901**

Less: Allowance for impairment		
31 - 60 days	-	(6,476,623)
61 - 90 days	(749,054)	(5,599,561)
91 - 120 days	(479,770)	(4,333,485)
121 - 365 days	(139,860,121)	(218,592,565)
	(141,088,945)	**(235,002,234)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(235,002,234)	(223,361,980)
Allowance for impairment	(37,939,823)	(61,542,797)
Amounts written off as uncollectible	-	49,902,543
Reversal of allowance	131,853,112	-
	(141,088,945)	**(235,002,234)**

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

5. Other receivables

	2013	2012
Insurance claims	2,089,182	-
Prepaid expenses	51,391	53,363
Deposits	290,136	5,564,083
Other debtors #10	-	297,555
	2,430,709	**5,915,001**

6. Inventories

	2013	2012
Consumables	1,027,971	1,029,325
Fuel	143,187	338,169
Water	142,186	105,820
	1,313,344	**1,473,314**

7. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	20,077,981	(7,518,260)	12,559,721	20,077,980	(6,474,135)	13,603,845

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Land and buildings	13,603,845	(1,044,124)	12,559,721

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Land and buildings	14,816,264	(1,212,419)	13,603,845

Pledged as security

Investment property was not pledged as security at the end of the year.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

8. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings - Operational Buildings	25,087,299	(12,762,325)	12,324,974	25,087,299	(10,291,706)	14,795,593
Infrastructure - Electricity	73,777,771	(16,570,053)	57,207,718	68,416,219	(12,514,895)	55,901,324
Infrastructure Assets - Roads and Transport	349,775,009	(71,091,295)	278,683,714	327,570,817	(56,404,110)	271,166,707
Infrastructure - Sanitation	108,866,444	(13,938,640)	94,927,804	108,571,045	(9,861,527)	98,709,518
Infrastructure - Water	205,730,718	(33,244,725)	172,485,993	205,348,096	(23,808,397)	181,539,699
Infrastructure - Other	6,317,633	(2,980,555)	3,337,078	7,702,984	(2,095,376)	5,607,608
Community Assets - Recreational Facilities	28,696,854	(2,980,555)	25,716,299	33,786,339	(4,733,301)	29,053,038
Community Assets - Sports Facilities	41,571,928	(5,984,533)	35,587,395	41,571,928	(5,216,466)	36,355,462
Computer Equipment	228,185	(26,820)	201,365	-	-	-
Emergency Equipment	314,598	(278,194)	36,404	314,598	(251,290)	63,308
Furniture and Fittings	3,127,463	(850,419)	2,277,044	1,791,538	(564,421)	1,227,117
Motor vehicles	18,640,633	(11,736,617)	6,904,016	18,248,591	(9,339,267)	8,909,324
Office equipment	4,032,480	(3,182,842)	849,638	3,869,966	(2,502,698)	1,367,268
Plant and Equipment	5,018,050	(3,124,329)	1,893,721	4,011,608	(2,688,596)	1,323,012
Total	**871,185,065**	**(178,751,902)**	**692,433,163**	**846,291,028**	**(140,272,050)**	**706,018,978**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Classified as held for sale	Transfers	Depreciation	Total
Land and Buildings - Operational Buildings	14,795,592	-	-	-	-	(2,470,618)	12,324,97
Infrastructure - Electricity	55,901,324	5,361,552	-	-	-	(4,055,158)	57,207,71
Infrastructure Assets - Roads and Transport	271,166,707	21,662,428	-	-	660,531	(14,805,952)	278,683,71
Infrastructure - Sanitation	98,709,518	295,399	-	-	-	(4,077,113)	94,927,80
Infrastructure - Water	181,539,699	382,622	-	-	-	(9,436,328)	172,485,99
Infrastructure - Other	5,607,608	-	-	(1,385,351)	-	(885,179)	3,337,07
Community Assets - Recreational Facilities	29,053,038	-	-	-	(945,362)	(2,391,377)	25,716,29
Community Assets - Sports Facilities	36,355,462	-	-	-	-	(768,067)	35,587,39
Computer Equipment	-	228,185	-	-	-	(26,820)	201,36
Emergency Equipment	63,308	-	-	-	-	(26,904)	36,40
Furniture and Fittings	1,227,117	1,339,426	(3,501)	-	-	(285,998)	2,277,04
Motor vehicles	8,909,324	432,042	(40,000)	-	-	(2,397,350)	6,904,01
Office equipment	1,367,268	163,976	(1,461)	-	-	(680,145)	849,63
Plant and Equipment	1,323,012	1,006,443	-	-	-	(435,734)	1,893,72
	706,018,977	**30,872,073**	**(44,962)**	**(1,385,351)**	**(284,831)**	**(42,742,743)**	**692,433,16**

Figures in Rand	2013	2012

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land and Buildings - Operational Buildings	16,426,371	504,885	(242,235)	-	(1,893,429)	14,795,592
Infrastructure - Electricity	54,603,022	4,631,578	(122,422)	-	(3,210,854)	55,901,324
Infrastructure Assets - Roads and Transport	244,192,866	42,324,383	(4,671,647)	636,572	(11,315,467)	271,166,707
Infrastructure - Sanitation	96,888,794	5,098,187	(55,891)	-	(3,221,572)	98,709,518
Infrastructure - Water	107,006,202	84,477,472	(3,367,754)	-	(6,576,221)	181,539,699
Infrastructure - Other	6,124,026	-	(5,943)	-	(510,475)	5,607,608
Community Assets - Recreational Facilities	29,078,400	2,127,411	(266,270)	-	(1,886,503)	29,053,038
Community Assets - Sports Facilities	37,762,777	-	(231,787)	-	(1,175,528)	36,355,462
Emergency Equipment	97,937	-	(25,404)	-	(9,225)	63,308
Furniture and Fittings	1,479,419	94,655	(191,236)	-	(155,721)	1,227,117
Motor vehicles	7,253,802	3,765,456	(820,551)	-	(1,289,383)	8,909,324
Office equipment	1,948,743	180,821	(272,368)	-	(489,928)	1,367,268
Plant and Equipment	1,776,143	174,480	(575,029)	-	(52,582)	1,323,012
	604,638,502	**143,379,328**	**(10,848,537)**	**636,572**	**(31,786,888)**	**706,018,977**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	945,362	-	945,362	-	-	-

Reconciliation of heritage assets 2013

	Opening balance	Transfers	Total
Historical monuments	-	945,362	945,362

Reconciliation of heritage assets 2012

10. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	5,603,350	-	5,603,350	5,603,350	-	5,603,350

Figures in Rand	2013	2012

10. Intangible assets (continued)

Reconciliation of intangible assets - 2013

	Opening balance	Total
Servitudes	5,603,350	5,603,350

Reconciliation of intangible assets - 2012

	Opening balance	Total
Servitudes	5,603,350	5,603,350

Pledged as security

Intangible assets were not pledged as security at the end of the year.

11. Other financial assets

	2013	2012
At fair value		
Listed shares - Sanlam Limited The shares were received by means of demutualisation of an investment policy that matured. The number of shares is 2020 calculated at a closing price of R46-00 per share as at 30 June 2013.	92,920	72,215
Current assets		
At fair value	92,920	72,215

12. Discontinued operations or disposal groups or non-current assets held for sale

The municipality has decided to sell assets on 10 January 2013.

The disposal are expected to be completed by 2013/08/30.

Assets and liabilities

	2013	2012
Non-current assets held for sale		
Other assets	1,495,605	-

The assets to be sold was for the generation of additional cash inflows to the Municipality and the maintenance on these properties became excessive.

Figures in Rand	2013	2012
13. Other financial liabilities		
At amortised cost		
DBSA Loan 61001053 The loan bears interest at a fixed rate of 6.75% per annum. The loan is repayable in bi-annual installments of R362 081 over an initial period of 8 years. The loan matures on 31 December 2020.	7,002,637	1,787,607
DBSA Loan 61001052 The loan bears interest at a variable rate of 9.03% per annum. The loan is repayable in bi-annual installments of R6 425 over an initial period of 3 years. The loan matures on 31 December 2015.	32,141	3,520,061
ABSA Loans The ABSA loan consists of the following loans: ABSA loan account nr 4527 - The loan bears interest at a fixed rate of 12.49% per annum. The loan is repayable in monthly installments of R29 260 over an initial period of 120 months. The loan matures on 28 February 2014. ABSA loan account nr 3902 - The loan bears interest at a fixed rate of 12.49% per annum. The loan is repayable in monthly installments of R29 444 over an initial period of 120 months. The loan matures on 31 March 2014. ABSA loan account nr 0833 - The loan bears interest at a fixed rate of 12.49% per annum. The loan is repayable in monthly installments of R29 862 over an initial period of 120 months. The loan matures on 31 May 2014. ABSA loan account nr 8114 - The loan bears interest at a variable rate of prime less 2.50% per annum. The loan is repayable in quarterly installments of R265 094 over an initial period of 96 months. The loan matures on 1 February 2016. ABSA loan account nr 5133 - The loan bears interest at a variable rate of prime less 2.50% per annum. The loan is repayable in quarterly installments of R176 436 over an initial period of 84 months. The loan matures on 31 January 2015.	4,232,291	6,634,458
	11,267,069	**11,942,126**
Total other financial liabilities	**11,267,069**	**11,942,126**
Non-current liabilities		
At amortised cost	8,018,777	5,993,150
Current liabilities		
At amortised cost	3,248,292	5,948,976

Figures in Rand	2013	2012

14. Finance lease obligation

Minimum lease payments due		
- within one year	35,074	442,042
- in second to fifth year inclusive	-	245,518
	35,074	687,560
less: future finance charges	(476)	(72,013)
Present value of minimum lease payments	**34,598**	**615,547**

Present value of minimum lease payments due		
- within one year	34,598	386,114
- in second to fifth year inclusive	-	229,433
	34,598	**615,547**

Non-current liabilities	-	34,598
Current liabilities	34,598	194,835
	34,598	**229,433**

The lease term was 36 months and the average effective borrowing rate was 11% (2012: 11%).

The interest rate is linked to prime plus 2% at the contract date. The lease have fixed repayments and the finance lease will mature on 25 August 2013.

15. Trade payables

Trade payables	19,926,214	15,029,794
Payments received in advanced	681,939	3,179,337
Payroll related cost control accounts	1,660,578	3,162,581
Retentions	1,103,772	690,953
Accrued leave	6,131,575	5,591,708
Debtors with credit balances	4,057,650	-
	33,561,728	**27,654,373**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk procedures in place to ensure that all payables are paid within the credit timeframe.

Staff leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

16. VAT payable

VAT	16,000,849	11,368,577

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

17. Employee benefit obligations

Defined benefit plan

The defined benefit plan consists of the post-employment medical aid subsidy governed by the Medical Schemes Act 1998.

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The municipality has requested Arch Actuarial Consulting to prepare an actuarial valuation of the municipality's liability as at 30 June 2013 based on the post-employment health care benefits. The valuation was done to ensure appropriate provision in accordance with IAS19. The actuarial valuation method used was the "Projected Unit Credit Method" as prescribed by IAS19.

Changes in the present value of the defined benefit obligation are as follows:

	2013	2012
Opening balance	30,656,000	25,270,000
Benefits paid	(950,000)	(822,000)
Net expense recognised in the statement of financial performance	641,000	6,208,000
	30,347,000	**30,656,000**

Net expense recognised in the statement of financial performance

	2013	2012
Current service cost	1,808,000	2,173,000
Interest cost	2,337,000	1,370,000
Actuarial (gains) losses	(3,504,000)	2,665,000
	641,000	**6,208,000**

Key assumptions used

Assumptions used at the reporting date:

	2013	2012
Discount rates used	8.85 %	7.75 %
Expected increase in salaries	- %	6.50 %
Expected increase in healthcare costs	7.62 %	7.00 %

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2013	2012
MSIG Grant	-	612,108
EPWP Grant	670,960	-
	670,960	**612,108**

Movement during the year

	2013	2012
Balance at the beginning of the year	612,108	-
Additions during the year	58,852	612,108
	670,960	**612,108**

See note 24 - Government grants and subsidies for reconciliation of grants from National / Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

18. Unspent conditional grants and receipts (continued)

These amounts are invested in a ring-fenced investment until utilised.

19. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	2,712,949	5,560,978	8,273,927

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	1,620,000	1,092,949	2,712,949

The landfill site's financial implications were determined by Quantum as on 30 June 2013 in terms of Section 28 of the National Environmental Management Act, Act No. 107 of 1998 The site, in terms of current legislation, is operating legally, as a permit does exist.

The remaining site life is currently approximately 25 years. Periods longer than 25 years have only a marginal affect on the final value. The date of close is stated as 2038.

20. Consumer deposits

	2013	2012
Water and electricity	1,445,707	1,427,205

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits.

21. Revenue

	2013	2012
Service charges	123,403,080	126,271,934
Rental of facilities and equipment	2,230,752	3,207,231
Interest received (trading)	18,602,306	16,738,684
Income from agency services	8,421,198	6,169,248
Licences and permits	2,908,107	1,623,735
Other income	4,257,005	7,106,024
Interest received - investment	1,298,173	849,096
Property rates	40,112,921	28,929,362
Government grants & subsidies	87,505,895	178,614,588
Fines	262,972	337,419
	289,002,409	**369,847,321**

Figures in Rand	2013	2012

21. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	123,403,080	126,271,934
Rental of facilities and equipment	2,230,752	3,207,231
Interest received (trading)	18,602,306	16,738,684
Income from agency services	8,421,198	6,169,248
Licences and permits	2,908,107	1,623,735
Other income	4,257,005	7,106,024
Interest received - investment	1,298,173	849,096
	161,120,621	**161,965,952**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	40,112,921	28,929,362
Transfer revenue		
Government grants & subsidies	87,505,895	178,614,588
Fines	262,972	337,419
	127,881,788	**207,881,369**

22. Service charges

Sale of electricity	77,862,057	75,731,355
Sale of water	30,038,743	37,218,460
Sewerage and sanitation charges	7,317,681	6,344,808
Refuse removal	8,184,599	6,977,311
	123,403,080	**126,271,934**

23. Property rates

Rates received

Commercial	7,929,299	6,132,340
State	1,608,043	1,825,055
Other	35,530	289,295
Residential	30,540,049	20,682,672
	40,112,921	**28,929,362**

Valuations

Residential	1,725,252,200	1,622,473,200
Commercial	447,746,000	598,796,000
Government	101,450,000	101,450,000
Municipal	216,865,900	214,853,900
Farms / Agricultural	2,114,700,000	2,066,465,000
	4,606,014,100	**4,604,038,100**

The basic rates applied were as follows:

Residential	0.00946	0.00845
Commercial	0.02183	0.01949
Vacant land (residential and commercial)	0.05796	0.05175
Vacant land (agricultural holdings)	0.01878	0.01691
Farms / Agricultural	0.00237	0.00211

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009.

Figures in Rand	2013	2012

24. Government grants and subsidies

Operating grants		
Equitable share	50,861,000	40,827,000
	50,861,000	40,827,000
Capital grants		
Municipal Infrastructure Grant	24,893,000	20,583,436
Library IT Grant	-	12,607
Financial Management Grant	1,500,000	1,250,695
Municipal Systems Improvement Grant	741,148	637,699
Expanded Public Works Programme Grant	2,532,000	1,385,500
Donations	6,978,747	113,761,331
GRAP Conversion Grant	-	156,320
	36,644,895	137,787,588
	87,505,895	**178,614,588**

Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	612,108	49,807
Current-year receipts	129,040	1,200,000
Conditions met - transferred to revenue	(741,148)	(637,699)
	-	**612,108**

Conditions still to be met - remain liabilities (see note 18).

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	62,436
Current-year receipts	24,893,000	20,521,000
Conditions met - transferred to revenue	(24,893,000)	(20,583,436)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

Library IT Grant

Balance unspent at beginning of year	-	12,607
Conditions met - transferred to revenue	-	(12,607)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

Expanded Public Works Grant

Current-year receipts	3,202,960	1,366,000
Conditions met - transferred to revenue	(2,532,000)	(1,385,500)
Other	-	19,500
	670,960	**-**

Conditions still to be met - remain liabilities (see note 18).

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

24. Government grants and subsidies (continued)

Financial Management Grant

Balance unspent at beginning of year	-	695
Current-year receipts	1,500,000	1,250,000
Conditions met - transferred to revenue	(1,500,000)	(1,250,695)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Donations

Current-year receipts	6,343,438	113,761,331
Conditions met - transferred to revenue	(6,343,438)	(113,761,331)
	-	-

Conditions still to be met - remain liabilities (see note 18).

GRAP Conversion Grant

Balance unspent at beginning of year	-	156,320
Conditions met - transferred to revenue	-	(156,320)
	-	-

Conditions still to be met - remain liabilities (see note 18).

INEP Grant

Balance unspent at beginning of year	-	399,875
Conditions met - transferred to revenue	-	(399,875)
	-	-

Conditions still to be met - remain liabilities (see note 18).

National Lottery Grant

Balance unspent at beginning of year	-	(162,240)
Amount transferred to (Debtors) / Liabilities	-	162,240
	-	-

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

25. Other revenue

Sundry income	4,257,005	7,106,024

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

26. General expenses

Advertisements	389,061	227,813
Auditors remuneration	2,795,146	2,195,005
Bank charges	682,931	360,043
Chemicals	2,674,974	2,057,750
Cleaning	-	835,566
Community celebrations	487,605	492,762
Community development and training	817,755	428,127
Computer expenses	491,750	1,297,680
Electricity	2,930,021	1,236,183
Fleet	2,985,750	2,932,377
Landfill site provision	5,560,978	1,092,949
Lease rentals on operating lease	850,855	685,333
Membership fees	572,344	53,600
Occupational health and safety	302,693	211,835
Other expenses	4,435,428	4,420,237
Postage	809,132	534,888
Printing and stationery	652,229	490,132
Protective clothing	540,954	450,964
Research cost	349,590	457,401
Software expenses	352,022	409,380
Telephone and fax	1,062,673	1,035,355
Training	439,134	728,534
Travel - local	1,253,356	1,282,446
	31,436,381	**23,916,360**

Figures in Rand	2013	2012

27. Employee related costs

Basic	55,036,720	37,825,669
Medical aid - company contributions	2,502,559	2,043,967
WCA	400,576	290,706
SDL	607,283	396,083
Other payroll levies	23,461	14,301
Pension and provident fund contributions	10,969,969	7,292,465
Standby allowances	983,362	537,037
Travel, motor car, accommodation, subsistence and other allowances	4,044,413	3,335,116
Overtime payments	3,747,492	3,409,337
Housing benefits and allowances	595,566	590,895
Holiday bonus	4,283,240	3,048,733
Defined benefit contributions	(309,000)	5,386,000
	82,885,641	**64,170,309**

Remuneration of RM Maredi - Municipal Manager

Annual remuneration	1,003,396	191,264
Car allowance	120,000	30,000
Paid	(1,123,396)	(221,264)
	-	-

Remuneration of SJ Weber - Chief Finance Officer

Annual remuneration	314,661	700,307
Car allowance	60,000	144,000
Leave	560,313	-
Acting Allowance	-	14,262
Paid	(934,974)	(858,569)
	-	-

Remuneration of H Botes - Acting Chief Finance Officer

Annual Remuneration	145,862	-
Paid	(145,862)	-
	-	-

Remuneration of SG Ngobeni - Director: Corporate Services

Annual Remuneration	747,838	694,307
Car Allowance	150,000	150,000
Paid	(897,838)	(844,307)
	-	-

Remuneration of RF du Toit - Acting Director: Corporate Services

Annual Remuneration	23,414	286,795
Car Allowance	-	65,000
Acting Allowance	-	74,283
Paid	(23,414)	(426,078)
	-	-

Remuneration of F Mashele - Director: Technical Services

Annual Remuneration	685,060	-

Figures in Rand	2013	2012

27. Employee related costs (continued)

Car Allowance	156,000	-
Housing	60,000	-
Paid	(901,060)	-
	-	-

Remuneration of TE Mdluli - Director: Community & Social Services

Annual Remuneration	757,436	700,307
Car Allowance	144,000	144,000
Acting Allowance	-	9,888
Paid	(901,436)	(854,195)
	-	-

Remuneration of BSS Riba - Acting Director: Community & Social Services

Annual Remuneration	71,228	-
Paid	(71,228)	-
	-	-

The salaries paid for the year are within the upper limits of the SALGA Bargaining Council determinations.

Executive Mayor

Annual Remuneration	395,482	385,461
Contributions to UIF, Medical and Pension Funds	88,680	73,460
Transport	161,387	152,974
Cell phone and data card	23,472	18,840
Paid	(669,021)	(630,735)
	-	-

Speaker

Annual Remuneration	318,478	305,364
Contributions to UIF, Medical and Pension Funds	68,851	59,397
Transport	129,110	122,379
Cell phone and data card	23,472	18,840
Paid	(539,911)	(505,980)
	-	-

Council Whip

Annual Remuneration	184,192	120,147
Contributions to UIF, Medical and Pension Funds	27,629	17,530
Transport	70,607	45,893
Cell phone and data card	13,692	11,748
Paid	(296,120)	(195,318)
	-	-

Mayoral Committee Members

Annual Remuneration	903,636	824,447
Contributions to UIF, Medical and Pension Funds	185,730	156,208
Transport	363,120	329,843
Cell phone and data card	70,416	55,043
Paid	(1,522,902)	(1,365,541)

Figures in Rand	2013	2012

27. Employee related costs (continued)

	-	-

Councillors

Annual Remuneration	1,418,634	1,218,169
Contributions to UIF, Medical and Pension Funds	245,676	222,052
Transport	564,078	550,692
Cell phone and data card	181,911	140,976
Paid	(2,410,299)	(2,131,889)
	-	-

28. Remuneration of Councillors

Executive Mayor	5,438,254	4,829,464

29. Debt impairment

Reversal of debt impairment	(128,799,059)	-
Contributions to allowance for impairment	37,939,823	61,542,797
	(90,859,236)	**61,542,797**

30. Investment revenue

Bank	1,298,173	849,096

31. Depreciation and amortisation

Property, plant and equipment	43,712,761	37,006,556

32. Finance costs

Current borrowings	909,500	711,264

33. Auditors' remuneration

Fees	2,795,146	2,195,005

34. Contracted services

Security services	4,379,650	2,897,839
Insurance	4,148,806	1,341,291
Legal fees and professional fees for GRAP compliance and professional fees for roads and stormwater	3,295,317	5,465,057
Property valuations	976,802	29,438
	12,800,575	**9,733,625**

35. Bulk purchases

Electricity	60,451,587	55,158,359
Water	5,500,362	3,993,119
	65,951,949	**59,151,478**

35. Bulk purchases (continued)

Electricity - Distribution losses	2013	2012
Purchased	97,086,304	96,927,525
Sold	(80,465,156)	(78,997,526)
Subtotal	16,621,148	17,929,999
Less: Units accounted as free basic services (50kWh per household per month)	(4,871,448)	(6,653,400)
Less: Departmental usage	(2,297,760)	(2,386,729)
Units lossed in distribution	-	-
	9,451,940	**8,889,870**

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	8,049,113	11,824,122

This committed expenditure relates to property, plant & equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

37. Contingencies

Society for the Protection of Our Constitution vs Victor Khanye Local Municipality - The case is pending before the court and an estimate of the financial effect cannot be made reliably.

Tobie Swanepoel vs Victor Khanye Local Municipality - The case is pending before the court and an estimate of the financial effect is R29 038.80.

Mykatrade 210 CC vs Victor Khanye Local Municipality - Council must pay the legal costs of Mykatrade 210 CC and an estimate of the financial effect is uncertain.

Dwarsfontein Beleggings CC vs 84 Families of Emndeni Village - The case is pending before the court and an estimate of the financial effect is R547 095.67.

Stoffberg vs Victor Khanye Local Municipality - The case is awaiting a trial date and an estimate of the financial effect is R155 180.00.

David Swanepoel vs Victor Khanye Local Municipality - The outcome and an estimate of the financial effect are uncertain.

South African Revenue Service - A VAT audit was conducted and it was finalised in the month of October 2013. The expected liability is estimated at R1 867 176. The municipality objected against the penalties and interest and the amount should be less once the outcome of the process is finalised.

Contingent assets

Johanna Rossouw vs Victor Khanye Local Municipality - The court decided against Mrs Rossouw and an estimation of the financial effect is to be determined by Attorneys Council.

Tefo Kadi vs Victor Khane Local Municipality - The court decided against Mr Kadi and an estimation of the financial effect is R43 500.00.

38. Related parties

Relationships	
Members of management	Refer to note 24

Figures in Rand	2013	2012

39. Prior period errors

The correction of the errors resulted in adjustments as follows:

Adjustment against opening accumulated surplus	-	(7,553,786)
Adjustments affecting the statement of financial position	-	-
Decrease in property, plant and equipmnent	-	7,810,670
Increase in leave accrual	-	(154,408)
Increase in trade payables	-	(45,342)
Increase in employee costs	-	(97,578)
Increase in cash and cash equivalents	-	40,444

Correction in respect of creditors that were captured on the financial system which were written back due to a system error that occurred with the initial cancellation of the creditor

Statement of financial performance	-	-
Increase in general expenses	-	(40,444)
Statement of financial position	-	-
Increase in cash and cash equivalents	-	40,444
	-	**-**

Leave encashment in respect of the previous year

Statement of financial performance	-	-
Decrease in employee costs	-	154,408
Statement of financial position	-	-
Increase in leave accrual	-	(154,408)
	-	**-**

Reverse stale cheques at previous year end

Statement of financial performance	-	-
Decrease in general expenses	-	142,920
Statement of financial position	-	-
Increase in trade payables	-	(45,342)
Increase in other payables	-	(97,578)
	-	**-**

The movable fixed asset register was reconstructed during the year

Statement of financial performance	-	-
Increase in depreciation	-	114,104
Increase in donations received	-	(7,924,776)
Statement of financial position	-	-
Increase in accumulated depreciation	-	(114,104)
Increase in property, plant and equipment	-	7,924,776
	-	**-**

40. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

41. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations.

Figures in Rand	2013	2012

42. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	347,046	-

The above expenditure includes and amount of R172 046 that relates to Mykatrade Litigation against Council for not awarding a tender to the entity. The expenditure is under investigation.

The above expenditure includes an amount of R175 000 that relates to Altimax regarding the compilation of the annual financial statements for the 2013 financial year.

43. Irregular expenditure

Add: Irregular Expenditure - current year	17,592,191	-

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Members of, or participants of the bid evaluation committee took part in the bid adjudication committee where decisions on the following tenders were taken	Matter will be investigated and reported on.	15,501,135
The tender (Tender no.04/2012/2013) for the supply and delivery of water and sewer treatment chemicals was not cancelled and re-advertised as 80/20 preference points after all bids received were below a million rands.	Matter will be investigated and reported on.	22,636
The winning providers did not submit Tax Clearance Certificate from SARS certifying the tax affairs of that person to be in order or that suitable arrangements have been made with SARS	Matter will be investigated and reported on.	1,797,736
These winning providers did not submit tax reference numbers and declarations of interest on the documents for the following transactions	Matter will be investigated and reported on.	130,017
Irregularly awarding of tender for landfill site.	Matter will be investigated and reported on.	140,667
		17,592,191

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to the South African Local Government Association

Current year	755,773	30,073
Amount paid - current year	(755,773)	(30,073)
	-	-

Audit fees

Current year	2,782,504	2,195,005
Amount paid - current year	(2,782,504)	(2,195,005)
	-	-

PAYE and UIF

Current year	9,935,725	7,122,734
Amount paid - current year	(9,935,725)	(7,122,734)
	-	-

44. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and medical aid deductions

	2013	2012
Current year	18,420,035	14,008,415
Amount paid - current year	(18,420,035)	(14,008,415)
	-	-

VAT

	2013	2012
VAT payable	16,000,849	11,368,577

VAT payable and VAT receivable are shown in note 16.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
BE Shabalala	4,900	57,790	62,690

An arrangement is in place to settle the debtors account.

45. Budget differences

Material differences between budget and actual amounts

42.1 The variance in service charges is due to the fact that revenue received was less than initially estimated.

42.2 The variance in the rental of facilities and equipment is due to outstanding government lease agreements.

42.3 The variance in interest received from outstanding debtors is due to the fact that interest levied on indigents was written off in terms of council's indigent policy.

42.4 The variance in revenue for agency services is due to the fact that addittional revenue was recognised for licencing fees.

42.5 The variance in licence income is due to the fact that the income was more than anticipated.

42.6 The variance in other revenue is due to VAT on MIG capital projects recognised as revenue in terms of Circular 59 from National Treasury.

42.7 The variance in interest earned from external investments is due to the fact that the interest received was less than initially estimated.

42.8 The variance in property rates is due to the recognition of foregone income.

42.9 The variance in operating government grants and subsidies is due to the fact that MIG recognised was budgeted initially as a grant in the capital program. Funding source for the execuion of the capital program.

42.10 The variance in fines is due to the fact that actual performance was less than estimated.

42.11 The variance in depreciation is due to the fact that provision for depreciation was phased in. The impact on tariff to be spread over several financial years. No cash outflow.

42.12 The variance in finance costs is due to the obtaining of DBSA loans.

Figures in Rand	2013	2012

42.13 The variance in collection costs is due to the cost allocated to legal fees in respect of attorneys appointed to recover debt in accordance to the debt collection unit.

42.14 The variance in grants and subsidies paid was due to the costing of foregone income disclosed as a subsidy to the public. It was budgeted a a net off against revenue. No cash outflow.

42.15 The variance in the donations to the public was due to the recognition of the donation of VIP toilets budgeted and funded through the capital budget.

46. Fair value adjustments

Listed shares - Sanlam Limited	20,705	16,544
Other financial assets		
• Debtors - Long term arrangement	-	(2,566,642)
	20,705	**(2,550,098)**

47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Procurement of sewer services was made to Majully Business for the amount of R36 936.00 on 9 July 2012. Reason: Hiring of septic tank truck.

Procurement of public participation was made to Nkosi's Coach for the amount of R12 400.00 on 11 July 2012. Reason: Transporting community member.

Procurement of sanitation services was made to Aim Group (Pty) Ltd for the amount of R52 476.79 on 17 July 2012. Reason: Repair hydraulic system on refutip (DDR632MP).

Procurement of sewer service provision was made to Ndalama Armature Winders CC for the amount of R42 189.12 on 28 July 2012. Reason: Repair Delmas waste water plant sludge return pump and Delpark pump.

Procurement of sewer services was made to Daily Waste Man Waste Removal for the amount of R14 096.10 on 30 July 2012. Reason: Hiring of septic tank truck.

Procurement of sewer services was made to Majully Business for the amount of R30 780.00 on 2 August 2012. Reason: Hiring of septic tank truck.

Procurement of sewer services was made to Kgashi Septic (Pty) Ltd for the amount of R36 000.00 on 3 August 2012. Reason: Hiring of septic tank truck.

Procurement of sewer services was made to DRK Consulting for the amount of R43 412.28 on 3 August 2012. Reason: Repair motor at Botleng WWTW.

Procurement of sewer services was made to Sekuseduze for the amount of R24 500.00 on 6 August 2012. Reason: Hiring of septic tank truck.

Procurement of electricity service provision was made to WPI for the amount of R203 393.37 on 10 August 2012. Reason: Supply and install new ring main unit.

Procurement of water service provision was made to HT Pumps for the amount of R36 768.42 on 17 August 2012. Reason: Repair of boreholes A1-HT pumps and plant.

Procurement of water service provision was made to Airgas Compressors (Pty) Ltd for the amount of R13 406.40 on 17 August 2012. Reason: Commissioning of the rented air compressor at the Botleng new WTW plant.

Procurement of sewer services was made to Daily Waste Man Waste Removal for the amount of R14 965.00 on 21 August 2012. Reason: Hiring of septic tank truck.

Procurement of sanitation services was made to Afgri Equipment (Pty) Ltd for the amount of R18 934.13 on 31 August 2012. Reason: Repair on tractor (CSL634MP).

Procurement of sewer services was made to Perion Network for the amount of R60 470.16 on 1 September 2012. Reason: Services of zone generators at Delmas water treatment plant.

Procurement of sewer services was made to Sekuseduze for the amount of R17 500.00 on 4 September 2012. Reason: Hiring of septic tank truck. Reason: Hiring of septic tank truck.

Procurement of sewer services was made to Tradelanders 34 CC for the amount of R738 982.20 on 5 September 2012. Reason: Repair vandalised electrical panel and components at the new sewer plant (insurance claim).

Procurement of electricity services was made to TSS for the amount of R47 000.00 on 8 September 2012. Reason: Repair 500KVA transformer.

47. Deviation from supply chain management regulations (continued)

Procurement of sewer services was made to Airgas Compressor for the amount of R63 037.44 on 10 September 2012. Reason: Repair vandalised air blower at the new sewer plant (insurance claim).

Procurement of sewer services was made to Airgas Compressor for the amount of R140 951.88 on 10 September 2012. Reason: Repair vandalised air blower at the new sewer plant (insurance claim).

Procurement of sewer services was made to Headstream Water Solution for the amount of R78 090.00 on 10 September 2012. Reason: Dismantle WTW damage smart unit.

Procurement of roads services was made to Sandini Supplies CC for the amount of R54 831.72 on 12 September 2012. Reason: Repair grader BXD387MP.

Procurement of sewer services was made to Sekuseduze for the amount of R56 318.37 on 18 September 2012. Reason: Hiring of septic tank truck.

Procurement of electricity services was made to TSS for the amount of R13 628.70 on 25 October 2012. Reason: Repair 100KVA transformer damage by lightning (insurance claim) (serial: TXR91886).

Procurement of electricity services was made to TSS for the amount of R18 759.27 on 25 October 2012. Reason: Repair 100KVA transformer damage by lightning (insurance claim) (serial: T2007/1777).

Procurement of electricity services was made to TSS for the amount of R25 650.00 on 25 October 2012. Reason: Repair 100KVA transformer damage by lightning (insurance claim) (serial: T1623/77).

Procurement of electricity services was made to TSS for the amount of R25 650.00 on 25 October 2012. Reason: Repair 100KVA transformer damage by lightning (insurance claim) (serial T100090342).

Procurement of electricity services was made to TSS for the amount of R16 672.50 on 25 October 2012. Reason: Repair 100KVA transformer by lightning (insurance claim) (serial: T14830).

Procurement of sewer services was made to Majully Business Enterprises for the amount of R38 988.00 on 26 September 2012. Reason: Hiring of septic tank truck.

Procurement of park services was made to Deltool CC for the amount of R60 524.65 on 5 October 2012. Reason: Repair of seven grass cutting machines.

Procurement of sewer services was made to Ndalama Armature Winders for the amount of R47 976.00 on 8 October 2012. Reason: Repair pumps at Delpark pump station and Delmas WWTP.

Procurement of sewer services was made to Daily Waste Man for the amount of R19 120.00 on 11 October 2012. Reason: Hiring of septic tank truck.

Procurement of sewer services was made to Khuduyane Quigly for the amount of R12 760.00 on 11 October 2012. Reason: Hiring of septic tank truck.

Procurement of water services was made to Vangard Projects for the amount of R28 070.00 on 12 October 2012. Reason: Repair telemetry damage by lightning (insurance claim).

Procurement of sewer services was made to Sekuseduze for the amount of R9 295.48 on 19 October 2012. Reason: Hiring of septic tank truck.

Procurement of sewer services was made to Lefelo Maintenance CC for the amount of R78 130.31 on 19 October 2012. Reason: Repair gearbox and motor at Delmas WWTW.

Procurement of sewer services was made to Kgashi Septic (Pty) Ltd for the amount of R36 000.00 on 19 October 2012. Reason: Hiring of septic tank truck.

Procurement of sewer services was made to Tradelander 34 CC for the amount of R188 669.97 on 25 October 2012. Reason: Replace plant distribution cable new sewer plant (insurance claim).

Figures in Rand	2013	2012

47. Deviation from supply chain management regulations (continued)

Procurement of sewer services was made to Small Heaven Trading CC for the amount of R28 000.00 on 1 November 2012. Reason: Repair roof at Erf 2615 ext 3 which was blown away by strong wind.

Procurement of sewer services was made to Small Heaven Trading CC for the amount of R27 000.00 on 1 November 2012. Reason: Repair roof at Erf 4807 ext 4 which was blown away by strogn wind.

Procurement of sewer services was made to Mshana Business Services CC for the amount of R18 500.00 on 1 November 2012. Reason: Repair roof at Erf 2650 ext 4 which was blown away by strong wind.

Procurement was made to Sabelo & BS Construction for the amount of R38 684.76 on 5 November 2012. Reason: Design and drawing of plans of Municipal offices.

Procurement of sewer services was made to Majully Business Enterprises for the amount of R35 157.60 on 6 November 2012. Reason: Hiring of septic tank truck.

Procurement of sewer services was made to Headstream Water Solution for the amount of R1 699 318.74 on 8 November 2012. Reason: Repair vandalised WTW damage smart unit (insurance claim).

Procurement of traffic services was made to Automotor for the amount of R13 661.76 on 8 November 2012. Reason: Repair traffic light at R555/Vukuzenze intersection (insurance claim).

Procurement of sewer services was made to Airgas Compressors (Pty) Ltd for the amount of R5 633.88 on 12 November 2012. Reason: Rental of compressor blower at Botleng WTW.

Procurement of sanitation services was made to PDNA for the amount of R8 650.00 on 13 November 2012. Reason: Waste management licence application: visual impact.

Procurement of electricity services wa made to TSS for the amount of R89 000.00 on 13 November 2012. Reason: Replacement of 500KVA transformer damage by lightning (insurance claim).

Procurement of sewer services was made to Sekuseduze for the amount of R14 593.01 on 13 November 2012. Reason: Hiring of septic tank truck.

Procurement of sewer services was made to Daily Waste Man for the amount of R15 817.50 on 13 November 2012. Reason: Hiring of septic tank truck.

Procurement of water services was made to P R & O for the amount of R55 511.16 on 14 November 2012. Reason Emergency repair of ozone compressors.

Procurement of electricity services was made to TSS for the amount of R25 650.00 on 15 November 2012. Reason: Repair 100KVA transformer damage by lightning .

Procurement of electricity services was made to TSS for the amount of R21 090.00 on 15 November 2012. Reason: Replacement of 100KVA transformer that was stolen at BOT-5 and BOT-6 pump station (insurance claim).

Procurement of traffic services was made to Automotor for the amount of R82 908.77 on 15 November 2012. Reason: Repair traffic light at cnr Pretoria & Bronkhosthspruit road(R50 & R42), cnr v/d Walt & Pickard street and cnr Puma ,Thage & Shabangu street (insurance claim).

Procurement of roads services was made to Nduna Ntsele for the amount of R17 000.00 on 16 November 2012. Reason: Fill in and arrange the main wall as barricades at Delpark ext 4 ward 7.

Procurement of electricity services was made to TSS for the amount of R72 675.00 on 17 November 2012. Reason: Repair 500KVA transformer damage by lightning (insurance claim) Serial: 90-262.

Procurement of electricity services was made to TSS for the amount of R28747.70 on 17 November 2012. Reason: Repair 200KVA transformer damage by lightning (insurance claim) Serial: M2994/1.

Procurement of electricity services was made to National Cables for the amount of R225 720.00 on 22 November 2012. Reason: Emergency replacement of cable between Substation C5 and C4a damaged due to lighting.

47. Deviation from supply chain management regulations (continued)

Procurement of electricity services was made to WPI for the amount of R47 298.46 on 26 November 2012. Reason: Repair 11KV breaker at C1 substation (insurance claim).

Procurement of water services was made to HT Pump and Plant for the amount of R54 606.00 on 27 November 2012. Reason: Emergency repair of B3 borehole.

Procurement of sewer services was made to Sekuseduze for the amount of R45434.96 on 3 December 2012. Reason: Hiring of septic tank truck.

Procurement of sewer services was made to Daily Waste Man for the amount of R25 650.00 on 3 December 2012. Reason: Hiring of septic tank truck.

Procurement of water services was made to Purion Network for the amount of R59 799.84 on 4 December 2012. Reason: Service of ozone generator at Delmas WTP.

Procurement of sewer services was made to Choma & Ntsele Enterprise for the amount of R19 000.00 on 4 December 2012. Reason: Hiring of septic tank truck.

Procurement of water services was made to HT Pump and Plant for the amount of R75 012.00 on 4 December 2012. Reason: Additional emergency repair of B3 borehole.

Procurement of water services was made to HT Pump and Plant for the amount of R54 606.00 on 4 December 2012. Reason: Emergency repair of A1 borehole.

Procurement of water services was made to Neuron Consulting for the amount of R40732.20 on 5 December 2012. Reason: Emergency repair of Booster pump.

Procurement of parks services was made to Ompetha Sales ans services for the amount of R8 181.00 on 10 December 2012. Reason: Repair of Kudu grass cutting machine.

Procurement of sewer services was made to Lefelo Maintenance CC for the amount of R43 099.00 on 12 December 2012. Reason: Delmas WWTW sludge circulation pump.

Procurement of sewer services was made to DRK Consulting for the amount of R39 899.37 on 20 December 2012. Reason: Emergency supply and installation of Flow meters at Delmas WWTP.

Procurement of water services was made to Vangard Project Process Control Solution for the amount of R17 604.30 on 20 December 2012. Reason: Supply and installation of ultrasonic level transmitter and power supply at Delmas Booster.

Procurement of sewer services was made to Joe Mothupi's Enterprise for the amount of R41 336.40 on 20 December 2012. Reason: Emergency supply and installation of rotating assembly T3 Gorman-Rupp .

Procurement of sewer services was made to Productive Solution for the amount of R8 550.00 on 20 December 2012. Reason: Maintenance of backwash control system at the Delmas WTP.

Procurement of sanitation services was made to Jama Engineering for the amount of R3 800.00 on 20 December 2012. Reason: Repair front suspension on Tractor BSB971MP.

Procurement of sewer services was made to Choma & Ntsele Enterprise for the amount of R9 400.00 on 14 January 2013. Reason: Hiring of septic tank truck.

Procurement of sewer services was made to Daily Waste Man (Pty) Ltd for the amount of R24 897.80 on 14 January 2013. Reason: Hiring of septic tank truck.

Procurement of sewer services was made to Ndalama Armature Winders CC for the amount of R98 133.82 on 4 January 2013. Reason: Repair 5.5kw pump for sludge at Botleng WWWT R23 172.21. Repair 3.7kw Tsurumi Botleng WWWT R22 570.63. Repair 5.5kw WEG motor mixer no.1 Botleng WWWT R9 222.60. Repair 5.5kw WEG motor mixer no.2 WWWT R11 035.20. Repair V6 Gorman Rupp Ext 14 pump R32 133.00

Figures in Rand	2013	2012

47. Deviation from supply chain management regulations (continued)

Procurement of social department, cleansing section was made to Afgri for the amount of R8 149.00 on 17 January 2013. Reason: Strip and Qoute for repair of the tractor CSL 634MP.

Procurement of sewer services was made to Flow Well Pumps for the amount of R155 524.50 on 14 January 2013. Reason: Supply new assembly at ext 14 pump station.

Procurement of social department, traffic section was made to Steynbros Printers for the amount of R17 647.20 on 9 January 2013. Reason: Summons Books Face Value Documents.

Procurement of technical department electrical section was made to Godrich Toyota for the amount of R7 096.23 on 21 January 2013. Reason: Strip & Qoute Repair Tractor DRN MP.

Procurement of sewer services was made to Sephathi Construction for the amount of R44 596.80 on 21 January 2013. Reason: Rental of Septic Tank Truck.

Procurement of sewer services was made to Ndalama Armature Winders CC for the amount of R45 568.99 on 21 January 2013. Reason: Repair 5.5kw Tsurumi R23 625.36. Repair 3.7kw HCP gearbox aerator R21 943.63.

Procurement of water services was made to P Erasmus for the amount of R8 400.00 on 21 January 2013. Reason: Emergency servicing of Chlorinators.

Procurement of social department, fire section was made to Hino East Rand for the amount of R11 019.00 on 21 January 2013. Reason: Emergency fire Service Vehicle.

Procurement of technical services was made to Much Asphalt (Pty) Ltd for the amount of R12 825.60 on 21 January 2013. Reason: Supply of Hot Asphalt.

Procurement of social department was made to Ompetha Sales & services for the amount of R16 245.00 on 18 January 2013. Reason: Strip & Qoute to service poison spray.

Procurement of the venue in terms of Council SCM Policy 17 (1)(b) was made to Khaya Lodge Combined Accommodation for the amount of R88 492.50 on 1 February 2013. Reason: Venue for Ward Committee Capacity Building Workshop.

Procurement to control grass on pavement was made to Ompetha Sales and Service for the amount of R16 245.00 on 1 February 2013. Reason: Service and repair poison sprayer.

Procurement of prevent shortage of vehicle available to render emergency services was made to Safari Gearbox for the amount of R5 130.00 on 4 February 2013. Reason: Repair gearbox for Nissan 1400 BSB 644 MP.

Procurement of prevent water shortage (tender process in progress) was made to Neuron Consulting for the amount of R20 827.00 on 4 February 2013. Reason: Repair Botleng Booster pump.

Procurement of prevent flooding of sewer (new septic tank truck will be delivered on the 05th April 2013) was made to Sekuseduze for the amount of R18 619.81 on 4 February 2013. Reason: Hiring of septic tank truck.

Procurement of prevent flooding of sewer (tender process in progress) was made to Flow Well Pumps for the amount of R32 604.00 on 4 February 2013. Reason: Supply 5.5kw sewer pump for Delpark pump station.

Procurement of prevent flooding of sewer (tender process in progress) was made to Magnavolt Trading 819 for the amount of R187 714.68 on 4 February 2013. Reason: Repair 5.5kw submersible pump for sludge pump / dehydrator R43 343.94. Repair 22kw Hydrostal submersible pump for sludge pump Delmas ponds R36 199.56. Repair 5.5kw Robot submersible pump for golf course R52 348.80. Repair 22kw Hydrostal submersible pump.

Procurement of prevent flooding of sewer (tender process in progress) was made to Lefelo Maintenance CC for the amount of R70 250.00 on 6 March 2013. Reason: Repair pumps at Botleng Waste water Treatment Plant.

Procurement of prevent flooding of sewer (tender process in progress) was made to DRK Consulting cc for the amount of R123 435.86 on 6 March 2013. Reason: Repair motors at Botleng Waste water Treatment Plant.

47. Deviation from supply chain management regulations (continued)

Procurement of prevent flooding of sewer (new septic tank truck will be delivered on the 05th April 2013) was made to Daily Waste Man for the amount of R31 766.00 on 6 March 2013. Reason: Hiring of septic tank truck.

Procurement of prevent flooding of sewer (new septic tank truck will be delivered on the 05th April 2013) was made to Kgashi Septic (Pty) Ltd for the amount of R61 560.00 on 6 March 2013. Reason: Hiring of septic tank truck.

Procurement of prevent flooding of sewer (new septic tank truck will be delivered on the 05th April 2013) was made to Sephati Construction for the amount of R38 714.00 on 6 March 2013. Reason: Hiring of septic tank truck.

Procurement of electricity services was made to Verotest for the amount of R34 929.60 on 6 March 2013. Reason: Repair Cable Fault Location machine.

Procurement of prevent flooding of sewer (new septic tank truck will be delivered on the 05th April 2013) was made to Sekuseduze for the amount of R12 588.04 on 6 March 2013. Reason: Hiring of septic tank truck.

Procurement of prevent flooding of sewer (new septic tank truck will be delivered on the 05th April 2013) was made to Envirowise Waste Solution Project for the amount of R30 600.00 on 6 March 2013. Reason: Hiring of septic tank truck.

Procurement of prevent flooding of sewer (new septic tank truck will be delivered on the 05th April 2013) was made to Ndalama Armature Winders for the amount of R28 699.50 on 6 March 2013. Reason: Repair 0.37kw Siemens Gearbox at Botleng Waste water Treatment Plant.

Procurement of prevent shortage of water (tender process in progress) was made to HT Pumps for the amount of R57 000.00 on 25 March 2013. Reason: Repair borehole at Dryden next to Omnia.

Procurement to prevent shortage of water (tender process in progress) was made to Vangard Project Process Control Solution for the amount of R61 605.60 on 25 March 2013 Reason: Repair telemetry system at water Treatment Plant.

Procurement to prevent bad smell at sewer treatment plant was made to Retrospective water Care for the amount of R31 350.00 on 21 February 2013. Reason: Supply of Enzyme RWC1100.

Procurement of the toilets that were utilised during protest action against foreign nationals was made to Nkosi Toilet for the amount of R44 200.00 on 27 February 2013. Reason: Hiring of toilets for Eloff Hall.

Procurement to be used during grass fire season was made to Marce Marketing for the amount of R51 984.00 on 20 March 2013. Reason: Supply of FFA00618 - fireade 200 Foam.

Procurement of prevent shortage of water (tender process in progress) was made to Purion Network (Pty) Ltd for the amount of R45 543.00 on 20 March 2013. Reason: Maintenance of ozone compressors at WTP

Procurement to prevent blockages was made to Khuduyane Quigley for the amount of R29 070.00 on 26 March 2013. Reason: Cleaning adn clearing sand on main sewer lines.

Procurement to prevent shortage of water (tender process in progress) was made to Purion Network (Pty) Ltd for the amount of R60 990.00 on 27 March 2013. Reason: Repair and service of ozone compressors at WTP.

Procurement to prevent flooding of sewer (tender process in progress) was made to Rodecon Engineering CC for the amount of R95 874.00 on 27 March 2013. Reason: Rewind & recondition 30kw motor and repair flender gearbox.

Procurement to prevent flooding of sewer was made to Daily Waste Man for the amount of R36 012.60 on 27 March 2013. Reason: Hiring of septic tank truc.k

Procurement to prevent flooding of sewer was made to Sekuseduze for the amount of R16 550.84 on 2 April 2013. Reason: Hiring of septic tank truck.

Procurement to prevent flooding of sewer was made to Sephati Construction for the amount of R35 840.16 on 8 April 2013. Reason: Hiring of septic tank truck.

Procurement to prevent flooding of sewer (tender process in progress was made to Airgas Compressors (Pty) Ltd for the amount of R25 980.60 on 10 April 2013. Reason: Commissioning the Aerzener blower at Botleng WWTW.

47. Deviation from supply chain management regulations (continued)

Procurement to prevent flooding of sewer (tender process in progress) was made to Ndalama Armature Winders for the amount of R43 808.49 on 10 April 2013. Reason: Repair 0.75kw WEG motor. Repair 5.5kw ABS submersible. Repair 705kw Hydrostal submersible pump.

Procurement to prevent flooding of sewer (tender process in progress was made to Airgas Compressors (Pty) Ltd for the amount of R51 290.88 on 17 April 2013. Reason: Repair damage blowers at Botleng WWTW during riots by the Informal Dwellers at Ma-Wag.

Procurement to prevent shortage of water was made to Middelburg Man Dealership for the amount of R8 963.34 on 30 April 2013. Reason: Repair fan clutch DJY 210 MP at Dealer agent

Procurement to prevent shortage of vehicle was made to Majahonke Hydraulic Building Constructions for the amount of R23 313.00 on 30 April 2013. Reason: Repair & reseal 2off lower panel cylinder

Procurement to prevent shortage of water (tender process in progress) was made to Vangard Project Process Control Solution for the amount of R61 650.60 on 30 April 2013. Reason: Repair telemetry system at water Treatment Plant

Procurement to prevent shortage of water was made to Middelburg Man Dealership for the amount of R8 963.34 on 22 May 2013. Reason: Repair coolant and thermostat DJY 210 MP at Dealer agent

Procurement of specialist in hazardous waste disposal was made to Enbitec Environmental Solutions for the amount of R27 676.99 on 22 May 2013. Reason: removal of asbestos roof at the Municipal office

Procurement of rehabilitation of road was made to Rondebult Colliery (Pty) Ltd for the amount of R11 304.98 on 22 May 2013. Reason: Repair Grader s shaft-CLG418 circle drive FDV 712 MP Dealer agent

Procurement of rehabilitate illegal dumping A27/01/2013 was made to Majully Business Construction Enterprise for the amount of R36 480.00 on 22 May 2013. Reason: TLB hire for ten days at R3 648.00 wet rate (removal of illegal dumping behind the Botleng police Station).

Procurement of rehabilitate illegal dumping A27/01/2013 was made to NK Truck for the amount of R40 000.00 on 22 May 2013. Reason: Hire 2 tipper truck for ten days at R2 000.00 per day (removal of illegal dumping behind the Botleng police Station).

Procurement of rehabilitate illegal dumping A27/01/2013 was made to J Mahlangu transport for the amount of R40 000.00 on 22 May 2013. Reason: Hire 2 tipper truck for ten days at R2 000.00 per day(removal of illegal dumping behind the Botleng police Station).

Procurement of sanitation services was made to Model Auto Electrician for the amount of R3 354.72 on 31 May 2013. Reason: Repair starter on DGC 954 MP.

Procurement of sanitation services was made to AIM Group for the amount of R3 143.12 on 31 May 2013. Reason: Repair Clutch plate and clutch bearing on DGC 954 MP.

Procurement of sanitation services was made to NTT Toyota Delmas for the amount of R7 813.00 on 31 May 2013. Reason: Repair bushes on BLY 612 MP Dealer agent.

Procurement of removal of illegal dumping spots was made to Ndimamde Business Enterprise for the amount of R162 325.00 on 5 June 2013. Reason: Repair of Caterpillar front end loader.

Procurement of specialised parts had to be ordered outside the county was made to Rodebuild Colliery (Pty) Ltd for the amount of R38 743.54 on 11 June 2013. Reason: Repair of grader.

Procurement of essential emergency procurement was made to WPI for the amount of R11 557.22 on 27 May 2013. Reason: Repair of GEC Breaker.

Procurement of essential emergency procurement was made to WPI for the amount of R47 075.25 on 6 May 2013. Reason: Procurement of voltage transformer.

47. Deviation from supply chain management regulations (continued)

Procurement of sanitation services was made to Kgashi Septic (Pty) Ltd for the amount of R23 400.00 on 5 June 2013. Reason: Sucking of septic tank.

Procurement of sanitation services was made to Joe Muthupi s Trading Enterprise cc for the amount of R55 201.87 on 5 June 2013. Reason: Repair of pump S8 for Ext 14 pump station.

Procurement of essential emergency procurement was made to HT Pumps for the amount of R75 345.00 on 3 June 2013. Reason: Repair of BB3 borehole.

Procurement of sanitation services was made to Daily Waste Man for the amount of R22 777.20 on 5 June 2013. Reason: Sucking of septic tank.

Procurement of visibility of traffic officers which is in line with the was made to Supply Cor CC for the amount of R6 412.04 on 30 May 2013. Reason: Procurement of traffic uniform.

Procurement of sanitation services was made to Rodecon Engineering cc for the amount of R69 540.00 on 5 June 2013. Reason: Repair of V6 and V4 rotating assembly for pump station.

Procurement to prevent danger to the property and lives of the community was made to Morono electrical cc for the amount of R109 440.00 on12 June 2013. Reason: Dismantling of high mast light and removal from site.

Procurement of danger to the property and lives of the community was made to Masinga electrical for the amount of R6 567.54 on 4 June 2013. Reason: Repair of electrical Network.

Procurement of utilisation for the removal of refuse dumping spots was made to Ndimande Business for the amount of R110 275.00 on 5 June 2013. Reason: Repair of the Toyota Hino tipper truck.

Procurement of sanitation services was made to Ndala Amature winders CC for the amount of R96 037.02 on 27 June 2013. Reason: Emergency and time constraints.

Procurement of prevention of sewer flooding and compliance with the blue drop was made to DRK Consulting CC for the amount of R97 182.24 on 27 June 2013. Reason: Emergency and time constraints.